

October 31, 2002

B's, Not Need, Are Enough for Some State Scholarships

By GREG WINTER

ATHENS, Ga., Oct. 29 — Kelly Ryan has made good use of her college trust fund. It has bought a trusty Honda, trips to Italy, Switzerland, Argentina, some painful lessons about picking her own stocks and, if all goes well, maybe even her first piece of real estate after graduation. About the only thing it is has not paid for is, well, college.

No need for that. Ms. Ryan is a scholarship student.

"I didn't want to spend thousands of dollars every semester," said Ms. Ryan, 21, a senior at the University of Georgia, where a B average in both high school and college earns a free ride, regardless of one's ability to pay. "Going somewhere else would have left me totally dry."

Though not exactly ordinary, Ms. Ryan's story is familiar around here. Campus veterans marvel at all the poolside apartments that have sprung up since Georgia popped the income cap off its merit awards. Professors are testing their hypothesis that instead of increasing college enrollment, the state's \$1.7 billion scholarship program has been a blessing for the automobile industry — since so many families roll the savings into buying new cars.

"Yep, that was the big incentive," said Kristin McKenna, a senior who once set her sights far and wide for college, eyeing the distant, shiny coast of California, until her mother stepped forward with what is often called the "UGA exchange" — get the scholarship, get a car. "I'd say it's pretty commonplace," Ms. McKenna said.

Just how common, researchers cannot say, but one thing is sure. Scholarships open to students like Ms. McKenna, who estimates her parents' income at \$200,000 or more, are rising quickly. Though income is still a deciding factor in most awards, particularly federal grants, states and universities are increasingly helping students who were once too well off to qualify.

As a result, the percentage of students from families earning \$100,000 or more who get state grants grew seven times faster than those earning less than \$20,000 between 1992 and 2000, statistics from the federal Department of Education show. A decade ago, less than 2 percent of the highest-income families got state grants. That figure surpassed 5 percent by 2000, even before many states started giving grants based solely on academic performance, regardless of family income.

University grants to the highest-income students also grew twice as fast as awards to the lowest-income students in the same period, largely out of a recognition that college costs are so high that nearly everyone is feeling the strain. At the beginning of the 90's, fewer than 13 percent of families earning at least \$100,000 got grants from the schools they attended. As of last year, more than 20 percent of them did.

The growth of the merit awards has fueled a national debate over the very meaning of scholarships, and who should get them. In some cases, civil rights groups have tried to challenge the new scholarships in court.

"It is inefficient, indeed, inequitable to give public dollars to these kids when they would go to college anyway," said Donald E. Heller, senior research associate at the Center for the Study of Education at Pennsylvania State University. "Historically, the bulk of public investment was made with a mind towards equalizing educational opportunity. With the shift toward merit aid, it's quite clear that there's a change in that philosophy."

Since Georgia instituted its merit scholarships in 1993, trying to stanch the migration of students who ventured off for colleges and seldom returned, at least 11 states have followed its lead. The programs pay full or partial tuition for better-than-average seniors who embrace their local universities, despite what their parents may earn. Some programs also allow students to go outside of the state university system, though it may mean getting less money.

"Of course, they're very popular politically," said David Longanecker, executive director of the Western Interstate Commission for Higher Education, an advisory group for 15 states. "They serve the constituency that votes most often."

A decade ago, only 12 percent of state grants were for academic merit, not need. As of last year, that had grown to nearly a quarter of state awards. So far, however, the scholarships — most of which are scarcely five years old — do not seem to be helping many more students go to college. In Georgia, for example, only about 5 percent of the money goes to students who would have either left the state or skipped college altogether, researchers at the University of Georgia discovered.

"When almost all of the scholarships are going to students who would otherwise have gone to college, then the question is, Where is the money really going?" said Chris Cornwell, an economics professor at the University of Georgia. "Cars, amenity-filled apartments and you can image what else."

But criticizing merit scholarships for not inspiring more people to go to college is misguided, supporters argue, like condemning a jet plane because it falls short of the moon. More than anything, the awards serve as an economic development tool for states desperate to retain their college-bound students, with a particular nod to middle-class families who have long found scholarships elusive.

Before they began offering merit awards, usually with the proceeds from lotteries or with payments from the 1998 tobacco settlement, some states offered relatively few grants, whether for achievement or need. West Virginia, for example, offered only about half of what it plans to provide in awards within three years.

"Isn't it a good thing that the total investment in scholarships is growing?" said Lutz Berkner, senior research associate for MPR Associates, an educational consulting firm. "Something for education has got to be better than nothing."

If there is one thing on which both sides agree it is that merit awards alone are insufficient. Whittling away at high school dropout rates and helping below-average students excel — so that they, too, can earn scholarships — calls for a major investment in public schools that few educators or politicians would openly argue against.

Still, defenders say, the merit-based movement is consistent with the fundamental changes coursing

through the educational system. Eighteen states already have exit exams that students must pass before receiving a high school diploma, and the demand for rigorous academic standards seems to get louder every year. In that light, supporters argue, consider the exams a stick — and merit awards the carrot.

"I don't understand how anyone could argue that we shouldn't reward performance," said Dane Linn, director of education for the National Governors Association. "Isn't that the goal of standards-based reform?"

The popularity of these programs is evident from the numbers of students taking part in them. More than 51,000 students won merit awards under Michigan's program this year, the highest number yet. In Florida, more than 92,000 students shared \$164 million worth of similar scholarships in the 2000-2001 school year, also a record.

So popular have such awards become that Tom Golisano, the Independence Party candidate for governor of New York, has made them a centerpiece of his campaign, while lawmakers in Tennessee have broken an 18-year stalemate to place a lottery-for-scholarships referendum on the ballot for the coming election.

"We're losing people to Georgia," said Stephen I. Cohen, the state senator championing the Tennessee initiative. "People are moving over there to get the scholarship money."

As some states have learned, scaling back or tinkering with their scholarships can prove difficult. Concerned that many low-income students have been overlooked by its merit program, Florida legislators have considered shifting more money toward need-based scholarship. But the political resistance they encountered was formidable.

"We have promised these scholarships to people and we can't change the rules in the middle of the game," said Buddy Dyer, a Florida state senator who sits on the education committee.

For all the enthusiasm surrounding them, merit awards have engendered their share of controversy, especially when they use standardized tests to decide who qualifies. At the end of August, seven civil rights groups filed a complaint against Florida's program, contending that its reliance on tests like the SAT discriminates against Latino and black students who may get good grades but cannot afford expensive coaches to help them with the exam.

On the same day, Harvard's Civil Rights Project released a report showing that students from the wealthiest high schools in Florida and Michigan were more than twice as likely to win merit scholarships than their counterparts from the poorest schools.

But are merit scholarships merely the domain of privileged students who may not need them? No, the National Association of Student Financial Aid Administrators says. It estimates that two-thirds of state merit award winners demonstrate some degree of financial need, usually to the tune of about \$5,100 a year.

Michael Rich's mother works at a cotton mill. His father makes cabinets, and gave him no illusions about their ability to pay the \$15,000 worth of tuition needed to put him through the University of Georgia.

"I need my scholarship to get through school," said Mr. Rich, a junior at Georgia. "Granted, people who otherwise could have afforded college are getting merit grants too, but that doesn't take away from the

rest of us. I mean, who can't keep a B average?"